

THE

REA

# RURAL ELECTRIFICATION PROGRAM



914285

The Rural Electrification Administration is a lending agency of the United States Department of Agriculture. It makes loans for the purpose of financing electric systems and telephone service in rural areas. Congress annually determines the amount of funds REA may lend.

The agency was established May 11, 1935 by Executive Order of the President. The Rural Electrification Act of 1936 gave REA permanent status and authorized a 10-year electrification loan program, which was extended indefinitely in 1944. REA has been an agency of the Department of Agriculture since 1939. Its Administrator is appointed by the President, subject to Senate confirmation. The present Administrator, Anchorage Nelsen of Minnesota, took office in April 1953.

## WHAT REA DOES

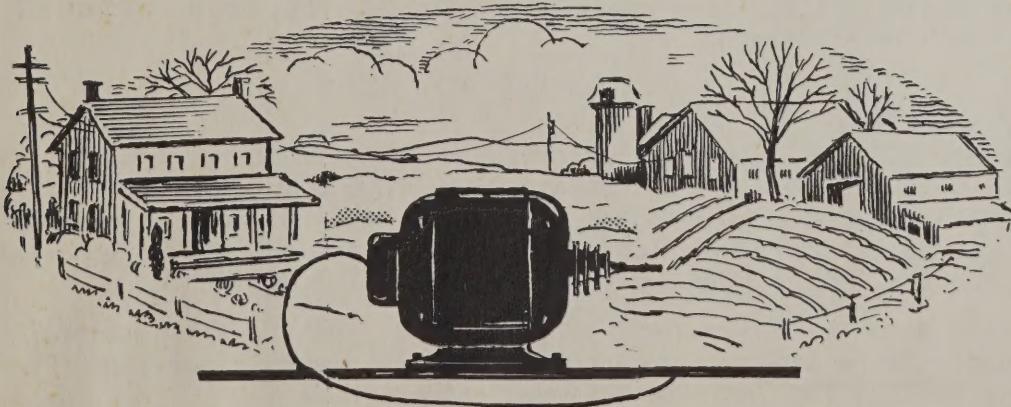
In the field of rural electrification, REA is empowered to make loans to qualified borrowers, with preference to non-profit and cooperative associations and to public bodies. Loans cover the full cost of constructing power lines and other facilities to serve persons in rural areas who are without central station electric service. They bear 2 percent interest and are repaid over a maximum period of 35 years.

Lines constructed by REA borrowers are designed to serve entire rural areas, including less densely settled sections as well as the more populous areas. The "area coverage" policy has become increasingly important as the rural electrification job has progressed. The test is not whether an individual line or section will be self-supporting, but whether the entire system is feasible as a whole.

REA itself operates no electric facilities. Its main functions are to lend money and assure repayment through appropriate loan-supporting activities. Loans are repaid from operating revenues of the locally owned, locally managed systems it finances. Part of each consumer's monthly payments for electricity goes to pay off the government loans.

## GROWTH OF FARM ELECTRIFICATION

Farm electrification had advanced very slowly in the United States during the 53-year period from 1882, when the first central generating system went into service, to 1935, when REA was created. Only 10.9 percent of all farms in the United States had electric service in 1935.



Since its establishment, REA has greatly stimulated the extension of service into rural areas. Between 1935 and 1954, more than 4,200,000 additional farms had been connected to power lines by all agencies, public and private. Of these, about 60 percent were served by REA-financed systems.

REA estimated that 4,965,962 of the farms recorded in the 1950 Census, or 92.3 percent, were electrified by June 30, 1954. Less than 500,000 of the nation's farms still were unelectrified. In addition, many rural non-farm dwellings, crossroads businesses, schools, churches, and other rural establishments wait for electricity.

#### ELECTRIC LOAN STATISTICS

As of January 1, 1955, REA had approved \$2,946,228,477 in loans to 1,075 borrowers. They include 977 cooperatives, 47 public power districts, 26 other public bodies, and 25 commercial power companies. Their facilities include 1,332,000 miles of line serving more than 4,165,000 farms and other rural consumers in about 2,600 counties of 46 States, Alaska, the Virgin Islands, and Puerto Rico.

By January 1, 1955, REA had advanced \$2,524,105,716 in loans to its borrowers. Under REA loan contracts, advances are made as the borrowers need funds with which to pay for construction under way or completed.

#### HOW THE MONEY IS USED

About 80 percent of the loans thus far approved by REA have been for electric distribution facilities. Over half of the power distributed by REA-financed systems is purchased from commercial power companies. REA makes generation and transmission loans only when borrowers are unable to purchase an adequate supply of power or when a saving would result. Approximately 19 percent of the REA loans have been for construction of generating plants and transmission lines. About 1 percent of the loans has been made to power system operators for financing farmstead installation of wiring, plumbing, electrical equipment, and irrigation facilities.

#### HOW FARMERS USE ELECTRICITY

Use of electricity from REA-financed lines increased from an average of 117 kwh per farm in December 1947 to 215 kwh in December 1953. Farmers are coming to depend more and more upon electricity as a production tool. About 400 farm uses for electricity are known; at least 250 of them increase production or make farming more profitable.

Farmers already use more electric energy for more farm tasks than was expected when the original lines were built. As a result, power system operators are under constant pressure to "heavy up" the lines and substations to keep abreast of demand. A program of system improvements has been a major activity of most REA electrification borrowers in recent years.

An important result of the expanding rural electrification program is the increased business it brings into rural communities. It stimulates private business, both locally and nationally. Surveys indicate that for every dollar invested in rural power facilities, the farmer invests 3 to 4 dollars in wiring, plumbing, and electrical appliances. Also, when power is available, the establishment of industry in rural areas is encouraged.

#### RECORD OF REPAYMENTS

As of January 1, 1955, electric borrowers had paid to the government approximately \$192,600,000 in interest and had repaid \$376,000,000 in principal on their REA loans. This includes a current balance of over \$78,500,000 of payments made by borrowers ahead of schedule which may be applied against future interest or principal installments. Only \$307,300 was delinquent.

REA has made more than 90 percent of its electrification loans to cooperatives organized under State laws by rural people seeking electric service. These groups are local, independent, private business enterprises.